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2. SOVIET OVERTURES TO LATIN AMERICA

The USSR is ready to establish diplomatic and trade relations with all Latin American countries based on "mutual benefit," according to

Premier Bulganin in a written reply to questions asked by an editor of a Latin American magazine. He noted that the Soviet Union could export industrial equipment, machinery, and such products as timber, oil and chemicals. In addition, he stated that the USSR would like to participate in Latin American trade fairs and furnish technical assistance in such fields as transport, agriculture, electric power construction and various segments of industry.

Soviet economic activities have been aimed at exploiting Latin American economic and financial difficulties and have included purchases of hard-to-sell surplus products, such as Argentine grain, Uruguayan meat, and Cuban sugar. A step-up in Soviet exports, as well as offers to buy from these dollar-short nations, has increased Latin American interest in expanding direct trade with the USSR.

Soviet bloc-Latin American trade totaled about \$250,000,000 in 1954 and increased in 1955, on the basis of preliminary figures for the first six months.

To date Soviet technical assistance to Latin America has been limited to small amounts, generally given under UN auspices.

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4. AFGHANS ALLOT QUARTER OF SOVIET CREDIT TO ARMY AND SECURITY FORCES

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The Afghan cabinet on 9 January decided that \$27,000,000 of the \$100,000,000 Soviet credit to Afghanistan would be allotted to supplies

for the army and to the police and gendarmerie

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Comment

Soviet participation in military, health and educational projects may permit penetration into three fields from which the USSR has hitherto been excluded. (Concurred in by ORR)

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6. STATUS OF INDONESIAN CABINET

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By breaking off negotiations on common problems with the Dutch on 16 January, the Indonesian cabinet may have gained a "stay of execution." The opposition, however, has succeeded in its major aim-- isolation of the Masjumi, the major party in the cabinet. Whether the cabinet falls shortly or survives until the new parliament is seated is largely dependent on the future course of two government parties--the Nahdlatul

Ulama and a small Moslem party. These parties, apparently at President Sukarno's instigation, joined in criticism of the government's handling of Dutch-Indonesian relations and may now broaden their demands.

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Fragmentation or continued isolation of the Masjumi would pave the way for a National Party-NU coalition, either joined by the Communists or dependent on their support. That this is what Sukarno is seeking appears obvious from his remarks to an anticolonialist rally on 15 January that the ideologies of nationalism, Marxism, and Islam could be united.

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7. CSC MEMBER COUNTRIES MOVE TO ESTABLISH URANIUM PRODUCTION PLANT

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The six governments allied in the European Coal-Steel Community are to be asked to give their "earliest" approval to the setting up of an organization to construct on an urgent basis a plant for uranium isotope separation. Representatives of a working group of the Intergovernmental Committee on European Integration, which approved the plan on 12 January, are all "confident" or "certain" that their respective countries will approve it, thus permitting the scientific experts to begin work "at once."

The organization would draft plans and make necessary financial arrangements for the plant, as well as co-ordinate relevant scientific activities in the six countries. The recommendation provides that the national authorities responsible for atomic energy questions would make available all required patented procedures and exchange classified information.

Comment

Adoption of the plan would be the first practical step toward the setting up of a European atomic energy agency.

European countries are increasingly concerned over the fact that production of conventional fuels is not keeping pace with industrial requirements. Spokesmen for the CSC countries have argued that the European atomic program would remain "subordinate" to programs elsewhere until it had an independent supply of atomic fuels. They evidently have regarded this problem as sufficiently urgent to warrant immediate action before political agreement can be negotiated on an over-all agency such as EURATOM. (Concurred in by OSI)

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8. FORMALIZATION OF EAST GERMAN ARMY APPEARS IMMINENT

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The mounting propaganda demands in East Germany for a "people's army" suggest that the formalization of a national army and defense ministry is imminent. The actual announcement may be timed to coincide with or closely follow the formal initiation of the West German army build-up on 20 January.

The East German press on 17 January reported that "more and more workers" were submitting resolutions to the East German parliament demanding government action to authorize the formation of a "people's army." East Berlin's Lord Mayor Friedrich Ebert in a speech at Frankfurt/Oder on 17 January stated that the creation of a national army was not merely a matter of defense but "part of East German sovereignty." He declared: "We shall make full use of our right, granted to us by this sovereignty, and fulfill thereby our obligation which we have undertaken in the Warsaw treaty."

East Germany's armed forces now number approximately 118,000 men, of which 100,000 belong to the ground forces. The other Warsaw pact members reportedly have been pressing for their inclusion in the bloc's joint command.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 17 January)

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A four-point preparedness program has been drawn up by Prime Minister Ben-Gurion for presentation to the Knesset. The program calls for the removal of all luxuries from Israel's economy, an extensive civil defense program, mobilization of manpower for farm work, and a defense tax to finance a new advisory national defense council. The announcement of this program coincides with the publication of an emergency committee report alerting the country to the possibility of war. Aside from placing Israel on a near-wartime austerity footing and thus also endeavoring to stabilize the country's shaky economic position, the program may also counter opposition charges that the government has delayed in putting the nation and the economy on a full war footing. The government has been accused of "criminal negligence" in not briefing the population on air raid precautions and taking steps to erect shelters.

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The Soviet freighter Alexander Nevsky arrived at Alexandria on 12 January with an unusually heavy load,

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It berthed at a pier outside the regular cargo security area but was immediately placed under heavy guard. This precaution, together with reports that a Soviet ammunition ship was expected at Alexandria, suggests that the Nevsky may have carried some ammunition.

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